#### VIRGINIA HOUSING DEVELOPMENT AUTHORITY

#### MINUTES OF THE COMMITTEE OF THE WHOLE AND THE REGULAR MEETING OF THE COMMISSIONERS HELD ON NOVEMBER 19, 2002

Pursuant to the call of the Chairman and notice duly given, the meeting of the Committee of the Whole and the regular meeting of the Commissioners of the Virginia Housing Development Authority were held on November 19, 2002, at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia.

#### **COMMISSIONERS PRESENT:**

Sam Kornblau, Chairman\*
Charles L. Krum, Jr., Vice Chairman\*
Gary C. Klein\*
H. Evans Thomas, V\*
Jody M. Wagner\*
Allen H. Jones\*
Jay Fisette\*
Joan D. Gifford\*
Terri M. Ceaser\*
William C. Shelton\*\*

#### COMMISSIONER ABSENT:

J. Cheryl J. Avery-Hargrove\*

#### **OTHERS PRESENT:**

Susan F. Dewey, Executive Director

Donald L. Ritenour, Managing Director of Development

Thomas A. Dolce, Managing Director of Servicing and Compliance

Arthur N. Bowen, Acting Managing Director of Finance and Administration

Ronald A. Reger, Managing Director of Information Services

Tammy N. Taylor, Managing Director of Human Resources

Russ E. Wyatt, General Auditor

J. Judson McKellar, Jr., General Counsel

John F. Hastings, Assistant Director of Multi-Family Development

Tammy A. Tyler, Strategic Development Leader

Michele G. Watson, Assistant Director of Single Family

James M. Chandler, Senior Development Officer

<sup>\*</sup>Authorized to vote

<sup>\*\*</sup>Non-voting

Kathleen A. O'Rourke, Media Affairs Manager Joseph K. Feasor, Business Performance Analyst

The meeting of the Committee of the Whole was called to order at 10:17 a.m. All of the Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting of the Committee.

Mr. Ritenour presented a report on the Authority's organizational performance during the first quarter of the fiscal year 2002-2003, including analyses of the Authority's multi-family and single family loan production, the persons and geographical areas served by the Authority's loan programs, the Authority's loan servicing portfolios, and the Authority's revenues and expenses, all of which were discussed by the Commissioners. There being no further business, the meeting of the Committee of the Whole was recessed at 11:15 a.m.

The regular meeting of the Board of Commissioners was called to order at approximately 11:23 a.m. All of the Commissioners listed above as being present at the meeting were present at that time and remained present throughout the meeting.

No members of the public requested an opportunity to make any comments during the public comment period of the meeting.

Vice Chairman Krum moved approval of the minutes of the regular meeting of the Commissioners held on September 11, 2002. This motion was seconded by Commissioner Jones and was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting and authorized to vote.

Ms. Dewey presented the monthly financials and budget comparisons. Following that report, Mr. Sterrett reported on the salient features of the Authority's proposed Commonwealth Mortgage Bonds, 2003 Series A-AMT and B.

Ms. Dewey presented a resolution to change the date of the meeting of the Commissioners to be held in July 2003. Vice Chairman Krum moved approval of the resolution entitled "Resolution Establishing July 23, 2003 as Regular Meeting Date of the Board of Commissioners" dated November 19, 2002 in the form attached hereto. This motion was seconded by Commissioner Fisette and was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting and authorized to vote.

Commissioner Klein, on behalf of the Operations Committee, reported that the Committee had received and discussed the following: reports from the General Auditor on the audit schedule, the internal audit reports issued and replies received since the last meeting of the Committee, and the status of outstanding audit issues; a report from KPMG LLP on its audit of the Authority's annual financial statements for the fiscal year ending June 30, 2002; and a report from the General Auditor summarizing the Sarbanes-Oxley Act. Commissioner Klein advised the Commissioners that the Committee had also received a staff report on a proposed \$200 million revolving line of credit from Bank of America, N.A., and recommended approval of a resolution entitled "Resolution Authorizing Revolving Credit Agreement" dated November 19,

2002, in the form attached hereto. Commissioner Klein then moved approval of such recommendation. This motion was seconded by Commissioner Fisette and was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting and authorized to vote. Commissioner Klein next reported that the Committee had received a request from the staff for approval of a contract with a consultant for the performance of a review and evaluation of the Authority's accounting function with the goal of optimizing workflow and staffing and that the Committee had recommended approval of such contract. Commissioner Klein then moved approval of such recommendation. This motion was seconded by Commissioner Jones and was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting and authorized to vote. Commissioner Klein reported that the Committee recommended that the name of the Operations Committee be changed to the Audit/Operations Committee. Commissioner Klein moved approval of this recommendation. This motion was seconded by Commissioner Fisette and was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting and authorized to vote.

Commissioner Jones, on behalf of the Programs Committee, reported that the Committee had requested the staff to report to the Committee at the next Board meeting on the possible use of green building techniques in housing financed by the Authority. Commissioner Jones advised the Commissioners that the Committee had received reports from the staff on single family and multi-family loan production during the first quarter of fiscal year 2002-2003 and that the Committee had requested that in the materials for each future Board meeting the staff include a summary of the multi-family mortgage loans which, during the two months preceding such meeting, shall have been approved pursuant to the procedure adopted by the Board at its meeting on September 11, 2002. Commissioner Jones further reported that the staff had advised the Committee that low-income housing tax credits will be reserved for Victory Square Senior Apartments. Commissioner Jones next reported that the Committee recommended that the resolution entitled "Resolution Amending and Restating the Plan of the Virginia Housing Development Authority for the Allocation of Low-Income Housing Tax Credits Including Rules and Regulations," dated November 19, 2002, be approved in the form attached hereto and that the Authority's staff proceed to publish for public comment, and hold a public hearing on, the proposed changes to the Authority's Rules and Regulations for Single Family Mortgage Loans to Persons and Families of Low and Moderate Income in the form distributed to the Commissioners at the meeting. Commissioner Jones then moved approval of such recommendations. This motion was seconded by Commissioner Gifford. Commissioner Fisette stated that he supported the use of housing needs as the basis for allocating the federal low-income housing tax credits but was concerned about possible unintended consequences of the changes to take effect in calendar year 2004 and that he was voting for the resolution with the understanding that the staff would continue to consult with the non-profit developers to address their concerns regarding such changes. Mr. Fisette specifically cited the need to ensure that the proposed elimination of the Nonprofit Pool-Geographic Pool roll-over will not lead to circumstances in which lower scoring projects can receive tax credits over a higher scoring, similar project simply by having guessed the less competitive pool, and to ensure a fair definition of "revitalization area" that respects longstanding targeted areas designated in a jurisdiction's Consolidated Plan. Commissioner Krum stated that he was voting for the resolution with the understanding that the staff would work on including incentives in the Qualified Allocation Plan for developers to

locate their developments in rural areas. The motion was then approved by the affirmative vote of each of the Commissioners noted above as present at the meeting and authorized to vote.

Ms. Dewey reported that the Committee of the Whole had received staff reports on the Authority's organizational performance during the first quarter of the fiscal year 2002-2003

Ms. Dewey presented her monthly report of operations in which she advised the Commissioners as to the following: all of the Authority's Advisory Groups will meet on December 19th to formalize their structure and organization; the Servicing and Compliance Division will initiate the formation of a new advisory group, the Property Managers' Advisory Group; the Affordable Housing Awareness Campaign held its initial meeting and received presentations from the Minnesota Housing Finance Agency and Fannie Mae on their activities to obtain public support for affordable housing; the Commissioners were requested to consider whether to hold a retreat in conjunction with the meeting scheduled for March 26, 2003 and to check their available dates for such a retreat; Vice Chairman Krum participated with Authority staff members in a recent tour of Southwest Virginia in the Authority's mobile mortgage van, and the tour was reported in an article in the "Bristol Herald Courier;" the Authority and the housing finance agencies in Kentucky and West Virginia had initiated a joint advertising campaign to promote their homeownership programs; and the Authority is filing an application with the U.S. Patent and Trademark Office for registration of its new logo. Following her report, Ms. Dewey distributed to the Commissioners a booklet containing the Authority's strategic plan for fiscal years 2002-2005.

| There being no further busing | ness, the meeting was adjourned at approximately 11:58 a.m. |
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|                               |   |
| Sam Kornblau                  | J. Judson McKellar, Jr.                                     |
| Chairman                      | Assistant Secretary   |

#### VIRGINIA HOUSING DEVELOPMENT AUTHORITY

# MINUTES OF THE MEETING OF THE PROGRAMS COMMITTEE ON NOVEMBER 19, 2002

Pursuant to the call of the Committee Chairman and notice duly given, the meeting of the Programs Committee of the Board of Commissioners of the Virginia Housing Development Authority was held on November 19, 2002, at the Virginia Housing Center, 601 South Belvidere Street, Richmond Virginia.

#### **COMMITTEE MEMBERS PRESENT:**

Allen H. Jones, Committee Chairman\*
H. Evans Thomas, V\*
Joan D. Gifford\*
Terri Ceaser\*
William C. Shelton\*\*
Charles L. Krum, Jr., Ex Officio\*
Sam Kornblau, Ex Officio\*

#### OTHER COMMISSIONERS PRESENT:

Gary C. Klein\*
Jody M. Wagner\*
Jay Fisete\*

#### **OTHERS PRESENT:**

Susan F. Dewey, Executive Director
Donald L. Ritenour, Managing Director of Development
Thomas A. Dolce, Managing Director of Servicing and Compliance
Arthur N. Bowen, Acting Managing Director of Public Policy
Russ E. Wyatt, General Auditor
Ronald A. Reger, Managing Director of Information Services
J. Judson McKellar, Jr., General Counsel
John F. Hastings, Assistant Director of Multi-Family Development
Michele G. Watson, Assistant Director of Single Family
Tammy A. Tyler, Strategic Development Officer
Paul M. Brennan, Senior Counsel

James M. Chandler, Senior Development Officer

<sup>\*</sup>Authorized to vote

<sup>\*\*</sup>Non-voting

Paula Schuler, Business Systems Manager Greta Harris, Virginia Housing Coalition Bob Adams, Community Housing Partners T.K. Somanath, Richmond Better Housing Coalition

The meeting of the Committee was called to order at approximately 9:15 a.m. All of the members of the Committee listed above as being present at the meeting were present at that time and remained present throughout the meeting.

Commissioner Gifford moved approval of the minutes of the meeting of the Committee held on September 11, 2002. This motion was seconded by Commissioner Thomas and was approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting and authorized to vote.

Mr. Ritenour then presented reports on single family and multi-family loan production for the first quarter of fiscal year 2002-2003. Commissioner Shelton requested that future reports break down loan production by product type for each market area. Commissioner Jones requested that the production include information regarding the credit scores of the borrowers and that in the materials for future board meetings, the staff include a summary of the multifamily mortgage loans which, during the two months preceding such meeting, shall have been approved. Commissioner Jones also requested that the agenda for the next Programs Committee meeting include a report on "green building techniques" and the possibilities of incorporating these techniques into the Authorities program guidelines.

Mr. Ritenour advised the members of the Committee as to the recent changes in the available low-income housing tax credits for the at-large pool, and Mr. Chandler presented a summary of the cause of such changes. Following a discussion, it was the consensus of the Committee that the staff reserve credits for Victory Square Senior Apartments.

Mr. Chandler then presented the proposed amended and restated Qualified Allocation Plan for the low-income housing tax credits. Ms. Harris addressed the Committee to thank both the Committee and the staff for their willingness to work in partnership with non-profit developers to achieve common housing goals. In addition Ms. Harris expressed support for adoption by the Board of the amended and restated Qualified Allocation Plan, but she requested that the Authority continue to review the changes in the Qualified Allocation Plan that would become effective in 2004. Following a discussion by the Committee, Commissioner Kornblau moved approval of the resolution entitled "Resolution Amending and Restating the Plan of the Virginia Housing Development Authority for the Allocation of Low-Income Housing Tax Credits Including Rules and Regulation" dated November 19, 2002. This motion was seconded by Commissioner Gifford. Commissioner Fisette expressed his concern about possible unintended consequences of the changes to take effect in calendar year 2004 and that he wanted the staff to continue to consult with the non-profit developers to address their concerns regarding such changes. Commissioner Krum stated that he was not voting for the resolution because the Qualified Allocation Plan did not contain any incentives for developers to locate their

developments in rural areas. The motion was then approved by the affirmative vote of each of the Commissioners noted above as present at the meeting and authorized to vote, except for Commissioner Krum who voted "no".

Mr. Ritenour then reported on the proposed changes in the Authority's single family program and recommended that the staff proceed to publish for public comment, and hold a public hearing on, the proposed changes to the Authority's Rules and Regulations for Single Family Mortgage Loans to Persons and Families of Low and Moderate Income in the form distributed to the Commissioners at the meeting. Commissioner Kornblau moved approval of such recommendation. This motion was seconded by Commissioner Krum and was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting and authorized to vote.

Mr. Dolce addressed the members of the Committee with an update on the Housing Choice Voucher program. Mr. Dolce indicated that KPMG was overseeing the completion of the remaining accounting reconciliations and that KPMG's contract was set to expire at the end of the calendar year.

There being no further business, the meeting was adjourned at approximately 10:17 a.m.

#### Minutes of the Meeting of the Operations Committee Held on November 19, 2002

The meeting of the Operations Committee of the Board of Commissioners of the Virginia Housing Development Authority was held on November 19, 2002 at the offices of the Authority, 601 S. Belvidere Street, Richmond, Virginia 23220.

Committee

Gary Klein, Chairman

Members Present Charles Krum Jody Wagner

Other

H. Evans Thomas

Commissioners

Jay Fisette

**Present** 

**Others Present** Susan F. Dewey, Executive Director

Art Bowen, Managing Director of Finance & Administration

Judson McKellar, General Counsel

Ron A. Reger, Managing Director of Information Services

Russ Wyatt, General Auditor

Conrad K. Sterrett, Bonds and Investments Director

Robert Best, KPMG Carrie Pettitt, KPMG

## Meeting Called to Order

The meeting was called to order at 8:05 a.m. All of the members of the Committee noted above as being present at the meeting were present at that time and remained present throughout the meeting with the exception of Commissioners Krum and Wagner who joined the meeting in progress as noted below and thereafter remained at the meeting.

### Approval of Minutes

Commissioner Fisette moved approval of the minutes of the meeting of the Operations Committee held on September 11, 2002. Commissioner Klein seconded this motion. This motion was approved by the affirmative vote of each of the Commissioners then present at the meeting.

#### Internal Audit Report

The General Auditor, Russ Wyatt, reported that only one audit from the old audit schedule remains to be completed. Mr. Wyatt indicated that the remaining audit is of the MF Compliance Department and it is in the closing phase. Mr. Wyatt reported progress on two audits (the Investments Department and the Real Time Application System) and three special projects (Analysis of Software Purchased, IT Equipment

### **Operations Committee Minutes November 19, 2002**

# Internal Audit Report (cont'd)

Disposal and IT Contract Administration) from the new schedule. Mr. Wyatt also reported on the status of audit recommendations that have not yet been fully addressed by management sighting no major delays in the ongoing efforts to address these issues. During this report, Commissioners Krum and Wagner joined the meeting.

Mr. Wyatt reported the completion of four audits since the last Operations Committee meeting. Mr. Wyatt reported that the reports issued for these operational areas were "clean," which indicates that the degree of compliance with existing practices and procedures and the quality of ongoing operations was found to be satisfactory and there were no operational deficiencies that warranted reporting. The General Auditor indicated that no adverse audit reports were issued in the time period covered by this report.

As requested by Commissioners Fisette and Wagner, the General Auditor briefly discussed the provisions of the Sarbanes-Oxley Act, which was signed into law on July 30<sup>th</sup> to address corporate financial improprieties.

The General Auditor also discussed the results of a survey addressing how other HFA audit committees are organized and whether they require a mandatory rotation of external auditors. It was noted that most HFA's attempt to place staff with the most financial expertise on their audit committees and that seven (7) of the eight (8) HFA's responding to the survey did not require a mandatory rotation. Mr. Wyatt also indicated that a recent IIA "Quick" survey indicated that 69% of the survey responses favored the mandatory rotation of external audit firms.

The Committee also considered whether the name of the Operations Committee should be changed to the Audit/Operations Committee to more accurately reflect the Committee's heavy emphasis on audit matters. It was the consensus of the Committee to recommend that the name of the Committee be changed to the Audit/Operations Committee.

#### External Audit Report

Robert Best and Carrie Pettitt of KPMG, VHDA's external auditors, reported the results of their recently completed audit of VHDA's financial statements for the fiscal year ending June 30, 2002. The reports presented by KPMG included their management letter and single audit report, which indicated that they noted no matters involving internal control and its operation that were considered to be material weaknesses.

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### **Operations Committee Minutes November 19, 2002**

Arthur N. Bowen, III

Managing Director of Finance & Administration

| Approval of Resolution Authorizing \$200 Million Revolving Credit Agreement with Bank of America | Conrad Sterrett discussed the proposed Revolving Credit Agreement with the Bank of America in the amount of \$200 million. The commitment fee is 6.6 basis points or \$132,000 annually. The term is for a rolling 364 day period and is good until cancelled by either the bank or VHDA. While the Authority does not expect to make any draws under the agreement, it will provide funds in the event of unanticipated shortfalls in cash flow. Commissioner Krum moved that the Committee recommend approval of the resolution authorizing the Revolving Credit Agreement. Commissioner Wagner seconded this motion. This motion was approved by the affirmative vote of each of the members of the Committee then present at the meeting. |
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| Consultant for<br>Accounting<br>Review   | Art Bowen asked that approval be given to contract with a consultant to review and evaluate VHDA's accounting function with the goal of optimizing the workflow and staffing. The approximate cost for this consulting work is estimated to be between \$30,000 - \$50,000. Commissioner Fisette moved that the Committee recommend proceeding with procurement. Commissioner Krum seconded this motion. This motion was approved by the affirmative vote of each of the members of the Committee then present at the meeting.  |
| Adjournment  | There being no further business, Chairman Klein adjourned the meeting at 9:10 a.m.  |

Gary Klein

Chairman